Testimony of LeadingAge Connecticut to the Appropriations Committee

Regarding the Governor's Budget Recommendations Related to Human Services Agencies

Contained in

House Bill 6659, An Act Concerning the State Budget for the Biennium Ending June 30, 2025, and Making Appropriations Therefor

Presented by Lisa Connolly, Vice President of Community Living for Hartford HealthCare and Chair of LeadingAge Connecticut

March 1, 2023

Good afternoon, Senator Osten, Representative Walker, Senator Berthel, Representative Nuccio and distinguished members of the Appropriations Committee and thank you for this opportunity to testify on the Governor's proposed budget for human services. My name is Lisa Connolly and I am the Vice President of Community Living for Hartford HealthCare and the Chair of LeadingAge Connecticut, a statewide membership association representing not-for-profit provider organizations serving older adults across the continuum of aging services.

I am here today to testify in support of the Governor's recommended investments in quality nursing homes, residential care homes and community-based services, and to encourage continued investment in our entire system of aging services. I will also ask for your support in stopping a nursing home rate cut that is to be implemented on July 1st.

As you know, the aging services field had been at the center of the global Covid-19 pandemic. Now emerging from that pandemic, we find ourselves facing another public health crisis; the health care workforce shortage. The workforce crisis is having a profoundly negative impact on aging services and is significantly affecting our funding needs. We hope to continue our valued partnership with the state as we address this next crisis and rebuild a strong and high-quality system of aging services.

Nursing Home Funding

Last session, the state addressed the long-standing inequity in the nursing home rate system by agreeing to invest significant funding into a true rebasing of the nursing home rates. We are extremely grateful for this investment which occurred just as we were initiating the new acuity-based rate system and which is to be phased in over a three-year period. In his budget recommendations, the Governor has included funding to support the next two years of that phase-in and we strongly support this recommendation and ask that you do as well.

We were alarmed, however, by the lack of funding proposed in this budget for the quality incentive program that was to be an important component of our new nursing home reimbursement system. In fact, the Department of Social Services just informed us that they plan to begin collecting a 5%

withhold from the per diem Medicaid rate of every nursing home as a means of funding the program. DSS is planning to initiate this rate withholding on July 1, 2023. We are adamantly opposed to this move by DSS.

Nursing homes already pay the state a nursing home user fee (or provider tax) of $21.02 per resident per day which raises $146 million annually for the state's general fund. An additional 5% withheld from their rates would be financially disabling and would inhibit a nursing home's ability to recruit and retain staff, start new quality initiatives and potentially accept new admissions. We ask for your help in stopping this withhold plan and respectfully request that you authorize new funding to support this important quality incentive program.

Residential Care Homes
We are extremely supportive of the Governor's recommendations to invest in the residential care home model. We are hopeful that this investment plan will be approved to encourage the growth and sustainability of the residential care home sector.

Home and Community Based Services
LeadingAge Connecticut members provide the full continuum of long-term services and supports, including a wide range of home and community-based services. We are grateful for the funding and support provided to these services during the pandemic and urge continued support of this sector. The Governor has now asked for funding for a provider rate study and implementation strategy, something we have long advocated for and continue to support. A strong network of home and community-based providers is what is needed to achieve a successfully rebalanced system of aging services and we support these strategic efforts to build a sustainable network.

Thank you for the opportunity to testify and I would be happy to answer any questions.

Respectfully submitted,

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Supplemental Testimony to the Appropriations Committee

Regarding the Governor's Budget Recommendations Related to Human Services Agencies and Contained in

House Bill 6659, An Act Concerning the State Budget for the Biennium Ending June 30, 2025, and Making Appropriations Therefor

Increasing the Rates of Reimbursement Long-Term Services, Supports and Health Care

Quality aging services – whether they are provided in the community or in the nursing home – cannot be sustained without rates of reimbursement that cover the cost of care. Medicaid providers have been struggling to serve the older adult Medicaid client under the current reimbursement system and many providers are finding it increasingly difficult to stay in the program altogether. To maintain a strong network of providers, the rates of reimbursement must be increased to sufficient levels. If not, we risk losing ground on the strides that have been made in transforming our Medicaid program and rebalancing our system of aging services and supports. The current initiatives in both nursing home and community-based services funding are encouraging. We ask that the State stay committed to that transformational effort as our work intensifies and as the people we serve become frailer, older, and in need of more care, not less.

Financial Impact of the Workforce Crisis

The workforce demand within aging services has now reached a crisis level. The existing financial impact of the minimum wage phase in to $15 has now been combined with the intensifying financial pressures associated with the limited number of job seekers in the health care field. The lack of available workforce is straining financial resources and causing providers to limit their admissions. The temporary staffing agencies are taking full advantage of the situation and many are engaging in what we might consider to be price gouging practices. This drain on resources and the limits on revenue are converging at a crisis level.

We anticipate continued and significant increases in our labor costs. As other employment sectors increase their wage scale and individuals leave the workforce, the ability to recruit and retain employees within the aging services sector has become more difficult, causing more pressure on our wage scales and the demand for employees. **We therefore request that aging services, and health care in general, be prioritized in the state's workforce initiatives and that continued financial support be provided as necessary.**

Nursing Home Rate History and the Three Year Transition to an Acuity-Based, Case-Mix System

Connecticut's Medicaid program is pursuing a strategic rebalancing plan for long term services and supports and nursing homes are at the center of that plan. The state's rebalancing plan calls for nursing homes to realign their structures, redesign their environments and reduce their bed capacity while intensifying their work as those they care for become frailer, older, and in need of more care.

But the state must recognize that while they anticipate the need for fewer nursing homes, they must invest in the nursing homes that will still be desperately needed by those who cannot be cared for at home.

The Covid-19 pandemic exacerbated the long-standing problems of our Medicaid reimbursement system for nursing homes. Medicaid is the single most important public source of funding for nursing home care, but the current Medicaid rates do not meet the cost of providing this care. In fact, the average daily Medicaid rate that is paid to a non-profit nursing home is significantly lower than the cost of providing that care. **Fortunately, the budget adjustments made in SFY 23 sought to correct this longstanding inequity and we are hopeful that the three-year plan to correct this inequity will be fully funded in the biennium budget.**

We would like to provide some background on the nursing home rate system and how we were fortunate enough to reach this point of achieving a three-year plan to phase in truly rebased rates within a new acuity-based rate system. To begin, Connecticut's Medicaid rate structure is outlined in statute and is based on a calculation of the state defined allowable costs of providing daily nursing home care – but the actual per diem rates paid over the years had been much lower than the calculated rates due to years of legislated rate freezes. In particular, LeadingAge Connecticut member nursing home members were experiencing large gaps between what the rate system calculated and what the Medicaid rate system actually paid.

Historically, the state counted on other payor sources to make up the difference in the cost of providing care for Medicaid covered residents and the Medicaid rate. But the amount received by other payor sources is shrinking. Medicare advantage plans now control the majority of the market in Connecticut and their payor rates for sub-acute short term nursing home care are much lower than traditional Medicare. And the number of private pay nursing home residents continues to decrease.

Until this year, nursing homes had not had a *general* nursing home rate increase since 2012. That increase was the direct result of an increase to their nursing home user fee or provider tax (which is now $21.02 a day), and the following year nursing homes received a rate cut. The subsequent rate increases that were given in 2015, 2016, 2018, 2019 and now 2021 were specifically directed to a wage enhancement pass through and while 70% of nursing home costs are related to human resources, there are other cost centers such as heat, utilities, food and medical supplies. All the costs related to resident care increase year after year.

Last year we asked the state to address the *overall* financial needs of our state's nursing homes by fully funding the current system and adding additional funding to meet any new staffing mandates. We felt that if the overall system's underfunding was not addressed before the transition to a new acuity-based reimbursement system, the new system would not be able to operate as intended. The legislature and the administration responded by implementing a true rebasing of the nursing home rates by utilizing the 2019 cost reports and also provided a 4.5% rate increase for wage enhancement. At the same time, the state implemented a new acuity-based nursing home reimbursement system to augment our cost-based system. The new system adds an acuity-based component and is scheduled to add a quality incentive program on July 1, 2023.

The full funding for the rebasing is to be implemented over a three-year period and is subject to stop gains (and stop losses) in the first two years. The first year of the phase in was funded in the mid-term budget adjustments and now the Governor has proposed to fully fund the remaining two years in this biennium budget. **We strongly support this proposal and are grateful to the Governor for remaining committed to this promise.** This investment in the nursing home sector is greatly appreciated and desperately needed as nursing homes face rising costs for food, services and supplies, while the workforce crisis continues to drive up salaries and wages. **We strongly support this proposed investment of funding and ask the Legislature for their support.** (*State funding needed: $17.1 million in SFY 2024, $32.8 million in SFY 2025.)*

Medicaid Nursing Facility Rate History

Rate Period	*Increase/Decrease*	*Cost Report Year*
1/1/05-6/30/05	1.0%	2000
7/1/05-6/30/06	14.0% (4.0% net - Rebase with Tax)	2003
7/1/06-6/30/07	3.0%	2003
7/1/07-6/30/08	2.9%	2003
7/1/08-6/30/09	0%	2003
7/1/09-6/30/10	0%	2007
7/1/10-6/30/11	0%	2007
7/1/11-6/30/12	3.7% (1.25% net w/Tax Increase)	2007
7/1/12-6/30/13	0.33% (.17% net w/Tax Increase)	2007
7/1/13-6/30/14	-0.273 (Decrease)	2011
7/1/14-6/30/15	0%	2011
7/1/15-6/30/16	$26 + 9 million wage/benefit enhancement	2011
7/1/16-6/30/17	0%	2011
1/1/17-6/30/17	6-month loss of fair rent component for some homes due to policy change	
7/1/17-6/30/18	0% (Rebasing of rates with 1.6% stop loss)	2016
11/1/18-6/30/19	2% (Directed toward wage & benefits)	2016
7/1/19-6/30/20	2% (Directed toward wage & benefits)	2018
10/1/20	1% (Directed toward wage & benefits)	2018
1/1/21	1% (Directed toward wage & benefits)	2018
7/1/21	4.5% (Directed toward wage & benefits)	2018
	Additional funding for new staffing ratios, pension and benefit increases	
7/1/21 – 6/30/22	10% Temporary Rate Increase	2018
7/1/22	4.5% (Directed toward wage & benefits)	2019
7/1/22	Year 1 of 3-year phase-in of acuity system (A phase-in of rebased rates)	2019

Nursing Home Provider Tax

It is important to keep in mind that nursing homes are required to pay a nursing home user fee (or provider tax) at a rate of $21.02 per bed per day. The proceeds of this tax ($146 million) go into the general fund and are used toward funding of the entire Medicaid system of long-term services and supports, not just nursing home care, and must be paid even if the resident's Medicaid application is pending and there is no payer source for the bed. This is one more cost burden placed on nursing home providers.

Specialized Services within the Nursing Home Setting

LeadingAge Connecticut is working together with CAHCF, the acute care providers and the Department of Social Services to find answers to the need for specialized nursing home units. That work is acknowledged in the Governor's budget recommendations through the ability to set specialized rates and the investment in physical plant modifications to accommodate such units. **We support these recommendations and urge the Legislature's support.**

Nursing Home Quality Performance Incentive Payment Program

The performance incentive payment program was to be a hallmark feature of the nursing home acuity-based rate system. The program is scheduled to begin on July 1, 2023, but we were concerned when no additional funding was proposed in the Governor's budget for the quality incentive payments. We were then alarmed when informed by Department of Social Services (DSS) that they plan to begin collecting a 5% withhold from the per diem Medicaid rate of every nursing home as a means of creating a pool of funding to be redistributed in the form of quality incentive payments. DSS is planning to initiate this rate withholding on July 1, 2023. We are adamantly opposed to this move by DSS. **We are here today asking for your help in stopping the planned rate withhold and also respectfully asking for new funding to support this important quality incentive program.**

LeadingAge Connecticut has supported the quality incentive program since its inception and believes the entire nursing home sector will benefit from a program to incentivize quality care. And while both of the provider associations have been enthusiastically collaborating with DSS on the development of this quality program, we never agreed to nor consented to the concept of a budget neutral program or the practice of a rate withhold.

The proposed rate withhold, which is essentially a 5% cut to every nursing home's per diem rate, was something determined solely by the Department and they plan to implement it without any guiding regulations and without legislative approval. While we have no doubt that our LeadingAge Connecticut member nursing homes will earn a quality incentive payment, it is not something that any provider can count on when developing their operating budget. Cuts will need to be made.

Funding a quality incentive program through a 5% rate withhold is contrary to the goals of such a program and will harm a nursing home provider's ability to not only meet new quality measure goals, but to continue to provide a current level of quality care. Nursing homes already pay the state a nursing home user fee (or provider tax) of $21.02 per resident per day which raises $146 million annually for the state's general fund. An additional 5% withheld from their rate would be financially disabling and would inhibit a nursing home's ability to recruit and retain staff, start new quality initiatives and potentially accept new admissions. Rather than a rate withhold, we respectfully request new funding be provided for this important program.

Please consider both urging the Department to reverse this plan and providing additional funding in the budget to enable the incentive payments to come from a separate pool of funds. Perhaps the state could look to use the funding already provided by the nursing home sector through the user fee revenue for this purpose.

Residential Care Homes

The residential care home setting is both supportive and affordable and is a setting of choice for many older adults. It can be a valuable community-based housing choice for those choosing to receive Medicaid funded home and community-based services and supports. We have a confidence in this model of community-based living and the crucial role it holds in the continuum of aging services.

We are extremely supportive of the Governor's recommendations to invest in the residential care home (RCH) model. The proposed investment includes an increase in the RCH rates done through a true rebasing based on the 2022 cost reports, retroactive eligibility for state supplemental benefits, and an opportunity to upgrade aging physical plants. We are hopeful that this investment plan will be approved so as to encourage the growth and sustainability of the RCH sector.

Home and Community Based Services

The Connecticut Home Care Program for Elders (CHCPE) is the heart and soul of our state's rebalancing plan when it comes to providing home and community-based aging services. It is this program that helps eligible clients over the age of 65, who are in need of long-term services and supports, remain at home. It is also the program that assists many older adults who return to home through the Money Follows the Person Program. That is why it is vital that we continue to invest in this program and in the provider network that delivers the services and supports within it.

The state's ARPA HCBS Reinvestment Plan was designed to make needed investments into the home and community-based network of services, including those provided through the Connecticut Home Care Program for Elders. The plan combined state funding with the funds associated with the reinvestment of the supplemental 10% federal match that was enacted under section 9817 of the American Rescue Plan Act (ARPA) so as to increase the viability and sustainability of home and community-based long-term services and supports in Connecticut.

The Governor's budget proposal implements a small annual rate increase related to the minimum wage. There is also a proposed investment in a provider rate study and implementation strategy, something we have long advocated for and support. We also support the expansion of the Community First Choice program to allow for consumers within this program to utilize agency-based long-term services and supports. The addition of this option will enhance the array of choices made available to Medicaid eligible individuals living in the community who are in need of long-term services and supports.

Community based providers are meeting the growing needs of Connecticut's older adults and their caregivers while preventing or delaying placements in skilled nursing facilities and helping to prevent the need for more expensive health care settings such as emergency rooms and acute care hospitals. Strategic investments in this sector will strengthen the community-based provider network, enable a successful rebalancing of the long-term services and supports system, and ultimately save the state money.

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